

AR31

PACIFIC PETROLEUMS LTD.

1977 ANNUAL REPORT



annual general meeting

The 39th Annual General Meeting of the Shareholders of Pacific Petroleum Ltd. will be held in the Ontario Room, Royal York Hotel, Toronto, Ontario, Canada, at 10:00 A.M. on April 18, 1978. Notice of the Meeting and Proxy are being mailed with this Report.

Approximately 3,400 shareholders, representing 25 per cent of the outstanding shares of the company, reside in the provinces of Ontario and Quebec. The site of the meeting this year will afford a more convenient opportunity for these shareholders and those in the eastern United States to attend and participate in the business of the meeting.



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the year in brief

	1977	Increase Over 1976
Financial		
Net Earnings	\$ 85,511,000	29%
Per Share	4.00	
Cash Generated	143,972,000	35%
Per Share	6.74	
Cash Dividends	19,028,000	7%
Per Share	.89	
Total Revenue	441,306,000	25%
Capital Expenditures	143,124,000	79%

Operating

Production — Daily

Crude Oil and Liquids (barrels) . . .	54,050
Natural Gas (millions of cubic feet)	361

Sales — Yearly

Gasoline and Distillates (gallons) . .	271,000,000
Natural Gas Liquids (gallons)	311,000,000



DOWNTOWN CALGARY

company profile

Pacific Petroleum Ltd. is a federally incorporated company which began to explore for oil and gas in southern Alberta in 1939. The company now is a fully integrated petroleum company based in Calgary, Alberta. Its assets include crude oil and natural gas reserves, exploratory lands, facilities for production, manufacturing and marketing, and other investments.

The company is a producer of crude oil and natural gas from most of the producing areas in Alberta and northeastern British Columbia. While exploration is directed mainly to the sedimentary basins of Canada, the company has extended its

exploration activity outside of Canada to Spain, the North Sea and the United States. Pacific is also exploring for coal and uranium in western Canada.

The company owns 33 per cent of the common shares of Westcoast Transmission Company Limited. Westcoast owns and operates the major natural gas gathering system and transmission pipeline in British Columbia.

Pacific owns and operates a natural gas liquids extraction plant at Empress in southeastern Alberta. The company also owns varying interests in 34 other natural gas processing plants in western Canada.

At Taylor, British Columbia, the company owns and operates a petroleum refinery. Retail and wholesale outlets, identified by the Pacific 66 shield, serve customers from Vancouver Island to the Great Lakes.

The company has 21.4 million common shares outstanding. Of the 26,000 shareholders, 5,600 are Canadian, holding 28.2 per cent of the shares. The largest shareholder, with 48.3 per cent, is Phillips Petroleum Company of Bartlesville, Oklahoma. Pacific's shares are listed on the Alberta, Toronto, Montreal, Vancouver, New York and Pacific Stock Exchanges.

president's message



The year 1977 was the most successful in the company's history. Net earnings were \$85.5 million or \$4.00 per share, a 29 per cent increase over 1976 earnings of \$66.4 million or \$3.11 per share. Dividends for the year totalled 89 cents per share, compared with 83.2 cents per share in 1976. The amount of dividends has been restrained under the Canadian anti-inflation laws due to expire later this year.

A significant achievement was the addition, for the second consecutive year, of more crude oil and natural gas to reserves

than the company produced. An oil discovery in Alberta's West Pembina area will add further to reserves, as will two promising natural gas discoveries, one in the Erith-Hanlan area of central Alberta and the other in the Elmworth area of northwestern Alberta near the British Columbia border.

Work advanced on two projects that will add to future earnings of the company. An \$80 million ethane extraction facility is being built at the company's natural gas liquids plant at Empress, Alberta. It is due for completion in the

first half of 1979. The Cochin pipeline, a major natural gas liquids transmission line that runs from Alberta to United States and eastern Canadian markets, is due for completion in the middle of this year. Pacific has acquired a 10 per cent interest in this \$320 million pipeline.

Pacific earned \$13.4 million on its 33 per cent equity investment in Westcoast Transmission Company Limited and received \$7.3 million in dividend payments. A substantial expansion program for increasing Westcoast's gas transmission and gathering facilities now underway will further enhance future earnings. In 1977 the Canadian and United States governments approved plans for construction of a pipeline to transport natural gas from Alaska, through Canada, to United States markets. Westcoast Transmission is a major partner in a group of companies that will build and operate the Canadian segments of this pipeline.

Many of today's specialized energy projects require huge capital commitments and only companies with a strong asset base will be in a position to participate significantly. Pacific is such a company. Very large energy projects, beyond its reach only a few years ago, are now within its financial capability.

Pacific's emergence as a fully integrated energy company has followed a logical progression of growth. After its beginning as a company solely involved in exploration and production, Pacific also became a petroleum

refiner and marketer. A further broadening of interests occurred when the company took part in sponsoring the formation of Westcoast Transmission. The next significant step was the construction of a natural gas liquids processing plant at Empress, Alberta, and the development of a distribution system.

Throughout Pacific's history, the largest percentage of the company's cash flow has been directed to exploration and development. In 1977, for example, 71 per cent of total cash generated was reinvested to find and produce more oil and gas.

The company's investment profile of the future will retain a high proportion of expenditure on exploration and development. However, new energy projects are also available for investments of the future.

What are some of Pacific's opportunities?

At few times in the past have so many attractive investments been available.

There are opportunities in heavy oil development, in pipelining, and in alternate energy sources such as coal and uranium. The company also has new prospects in conventional exploration in the traditional and frontier areas.

Pacific's involvement in these projects will be determined and shaped in large measure by today's perception of Canadian and world energy needs 10 years and longer into the future. The company sees Canadian oil requirements being supplied increasingly from Alberta's vast

oil sands deposits. The oil sands and other heavy oils will play a significant role in future energy requirements. The company has secured extensive holdings and is in an excellent position to participate in current and future developments.

The achievement of large scale production will depend on the right combination of price, government tax share, and technology. Despite this uncertainty of timing, the great potential of these resources makes development inevitable.

Pacific is a member of a group of oil companies studying the feasibility of constructing a third mining plant in the Athabasca oil sands. In addition, Pacific is researching techniques that utilize fire and steam to recover oil from other oil sands which are too deep to mine.

An important source of increased oil supply is offered by heavy oil in eastern Alberta. Large-scale heavy oil production will require partial processing in order to facilitate efficient utilization by Canadian refineries. To this end, Pacific is leading a group of oil companies investigating the feasibility of a heavy oil upgrading plant for eastern Alberta.

Coal deposits of western Canada are destined to play a much bigger role in Canada's future energy supply for use either domestically or for export. Pacific's substantial reserves of thermal and metallurgical coals place the company in a position to participate in that future.

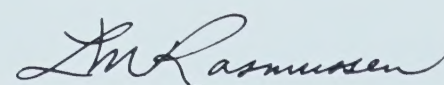
The company has several uranium prospects in western

Canada and an evaluation program is underway.

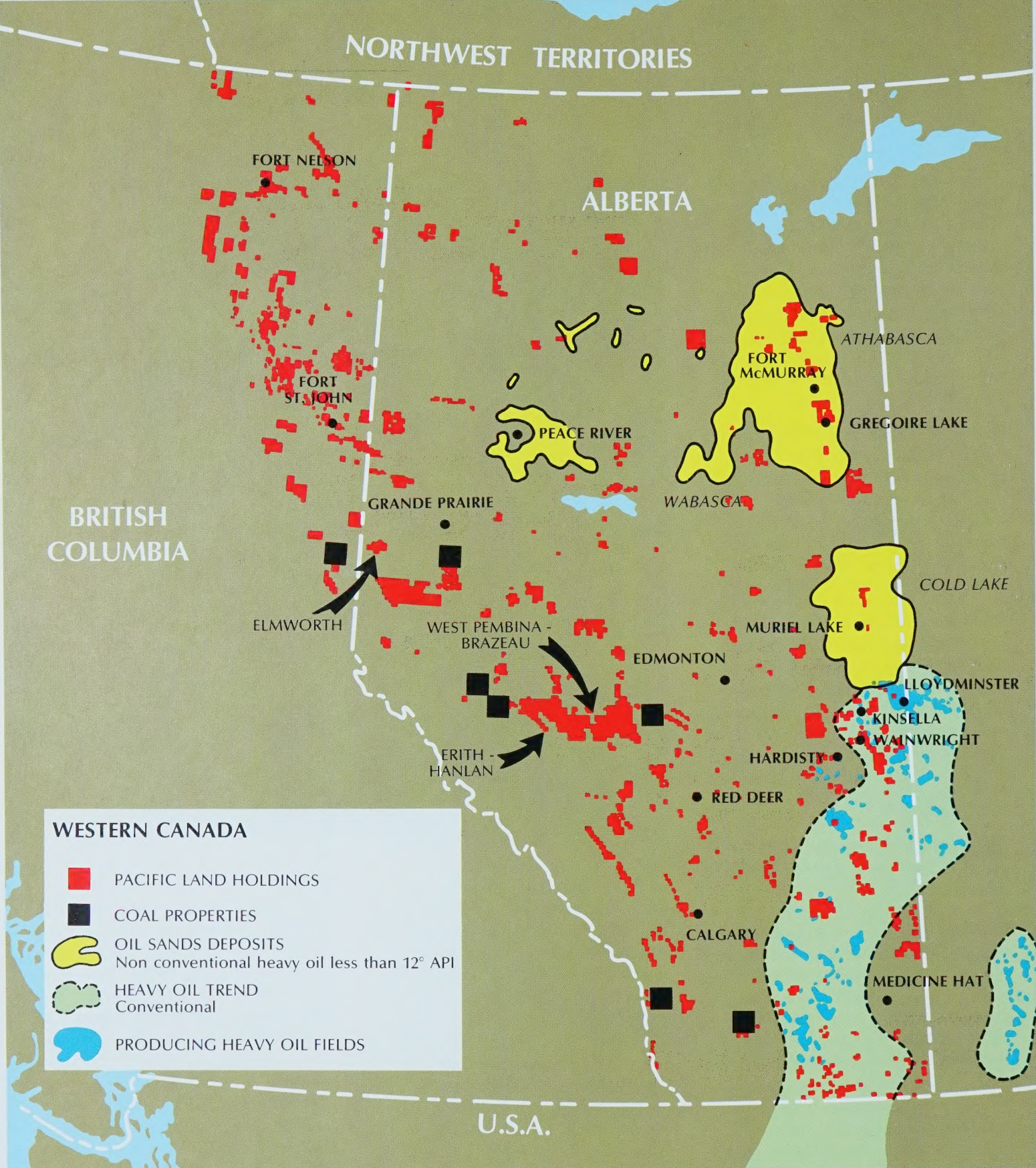
Again for the longer term, the company has excellent land positions and defined drilling prospects in the Beaufort Sea, the Arctic Islands, and in the Davis Strait on the Canadian east coast.

Pacific's exploration abilities and substantial land position secure a sound, near-term future. In the longer term, the company is well positioned to take advantage of developments in the oil sands, heavy oils, in coal and other energy projects. Pacific's capacity to undertake such commitments is supported by dedicated employees whose skills have contributed so substantially to the success of the company.

On February 16, 1978, the Board of Directors appointed Wm. C. Douce of Bartlesville, Oklahoma, as a Director of Pacific. He is President and Chief Operating Officer of Phillips Petroleum Company. He succeeds Harry D. Brookby, who retired as a Director and Executive Vice President of Phillips and resigned as a Director of Pacific. The Board has expressed its deep appreciation for the guidance and counsel which Mr. Brookby has given to the Board and the Company during his term of office.



L. Merrill Rasmussen
President and
Chief Executive Officer



In 1977 Pacific made significant discoveries in the West Pembina-Brazeau, Erith-Hanlan and Elmworth areas of Alberta. The map also shows the company's extensive land holdings in the conventional exploratory areas and its heavy oil and coal properties.

exploration — canada

Pacific's exploration program in 1977 re-affirmed its position among the leading and most successful Canadian exploration companies. The year was highlighted by major discoveries in three areas of Alberta that will add significant amounts of natural gas and crude oil to the company's reserves.

West Pembina-Brazeau

In the West Pembina-Brazeau area of west central Alberta, Pacific was a 50 per cent partner in the drilling of one oil discovery and one natural gas discovery. These initial successes have prompted a vigorous exploration effort, and the company is now participating in an eleven well drilling program. Pacific holds interests ranging from 33 $\frac{1}{3}$ per cent to 100 per cent in 21,000 acres in the discovery area. It also holds a 10 per cent overriding royalty interest in another 5,920 acres in which two additional oil discoveries have been made. Pacific has five drilling rigs operating to confirm the potential of its acreage.

Erith-Hanlan

Higher prices and improved drilling incentives now justify the search for gas at much greater depths. In 1977, Pacific participated in four successful gas wells drilled below 15,000 feet in the Erith-Hanlan area of west central Alberta. Pacific holds 14,000 net acres in the area and is continuing the evaluation of these discoveries.

Elmworth

Further to the northwest, Pacific discovered natural gas in the Elmworth district. A well in which the company holds a 75 per cent interest was drilled in November and tested at a flow rate of 4.7 million cubic feet of gas per day. Late in the year, at a government land sale, Pacific obtained a 75 per cent interest in an additional 15,000 acres. This acquisition increased Pacific's Elmworth interests to a net 17,460 acres.

British Columbia

In British Columbia, Pacific has an interest in 36,000 acres which will be drilled this year to test a possible extension of the Elmworth field. Further north in British Columbia, the company participated in five natural gas discoveries near Fort St. John in 1977, and additional work is planned for 1978.

Expenditures

Pacific's exploration expenditures in 1977 were a record \$60 million. In addition to \$20 million spent on drilling activities in Alberta and British Columbia, the company spent \$6 million on seismic surveys of potential oil and gas areas, including areas in Canadian offshore waters, and \$34 million on land acquisition and retention costs. The company participated in the drilling of 98 exploratory wells of which 5 were completed as oil wells and 48 as gas wells for a success ratio of 54 per cent.

In 1978 the company will maintain its high level of activity



S. B. Smith
Manager - Exploration

and plans to spend \$63 million participating in the drilling of more than 100 exploratory wells, conducting seismic tests and acquiring new exploration acreage.

CANADIAN DRILLING SUMMARY

	1977		1976	
	Gross	Net	Gross	Net
EXPLORATORY				
Oil	5	4	2	2
Gas	48	32	49	36
Dry	45	29	39	23
Total . . .	98	65	90	61
DEVELOPMENT				
Oil	26	20	118	94
Gas	58	23	63	14
Dry	12	8	20	14
Total . . .	96	51	201	122
TOTAL				
Oil	31	24	120	96
Gas	106	55	112	50
Dry	57	37	59	37
Total . . .	194	116	291	183



This drilling platform is being used to produce oil from the Casablanca 1A discovery well that has been placed on an extended production test. The oil is pumped through a floating pipeline to the tanker, shown in background, that delivers the oil to Spanish markets.

exploration — international

Since beginning foreign exploration in 1975, Pacific has participated in the drilling of 25 wells. The 1977 program involved participation in 11 wells, five in waters offshore Spain, one in the North Sea and five in the Gulf of Mexico.

Spain

In July, the Casablanca 1A discovery well was placed on an extended production test. The oil is being sold in Spain at world prices. More than three quarters of a million barrels of oil had been produced by year-end. Pacific's share of this production is 7.5 per cent.

The 1977 Spanish offshore drilling program was marked by two further successes. In October, Montanazo D-1, a two-mile stepout from the successful Casablanca 2 well, tested at 9,500 barrels of oil per day. Montanazo C-1 was subsequently drilled five miles northwest of Montanazo D-1 and tested at 9,400 barrels of oil a day in early 1978. Pacific's interest in both the Montanazo C and D permits will be a minimum 6.75 per cent after allowing for participation by the Spanish national oil company.

Pacific and its partners in the Casablanca field are now formulating development plans for 1978. Additional wells will be drilled this year on other Spanish offshore permits in which Pacific has an interest.

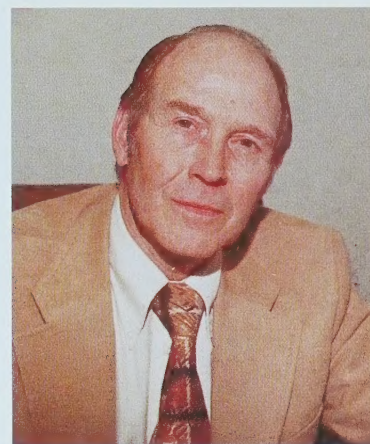
North Sea

In the United Kingdom sector of the North Sea, Pacific participated in the drilling of a fourth well on Block 21/2. The well encountered natural gas and condensate, and a fifth well is planned to assess the block's economic potential.

At the end of 1976 Pacific and its partners were awarded Block 13/18 in which the company has a 12.5 per cent interest. A detailed seismic survey is underway to determine the optimum drilling location. A well is expected to be drilled this year.

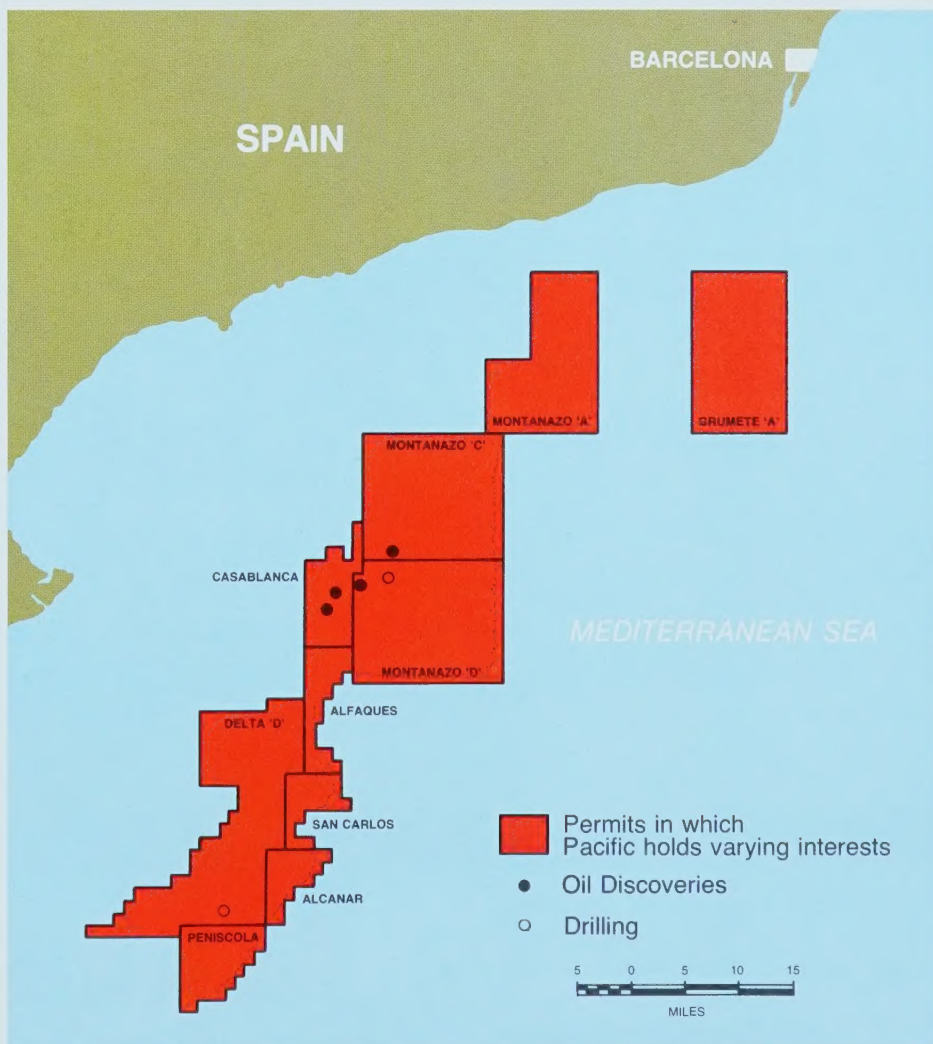
Gulf of Mexico

In the second half of 1977, the company participated in a five-well exploration program in the United States Gulf of Mexico. A gas discovery was made on the East Cameron Block 359 off the coast of Louisiana. This well flowed gas from three zones at a



J. C. Scott
Director - Offshore Exploration

combined rate of 7.1 million cubic feet per day. Pacific's interest in the discovery is 13.33 per cent. A second well is planned to determine the significance of the discovery.





A pump producing heavy oil from Pacific's Kinsella-Wainwright oilfields in eastern Alberta.

production

For the second successive year, Pacific added more crude oil and natural gas to its reserves than it produced.

Production of crude oil and natural gas liquids, including 16,450 barrels per day from the Empress plant, totalled 54,050 barrels per day during the year, an 11 per cent increase over the 1976 level. The bulk of the 1977 increase in crude oil production came from the Kinsella-Wainwright heavy oil fields of Alberta. Natural gas production decreased 9 per cent to a daily average of 361 million cubic feet mainly due to reduced demand for both Alberta and British Columbia gas.

Heavy Oil

Alberta possesses a vast energy potential in its deposits of heavy oil which extend from the southeast border to the Athabasca oil sands in the north of the province.

Heavy oil is difficult to produce because of its high viscosity. Pacific is engaged in several projects that seek a solution to this problem.

The company is studying opportunities to participate in a third Athabasca mining plant that would recover oil from the shallow sands.

At Gregoire Lake in the Athabasca oil sands, Pacific is a 12.5 per cent partner in a pilot project where deeper oil is being recovered using a combination of fire and water flooding.

At the Cold Lake oil sand deposits to the south, Pacific is earning an interest in a heavy oil field at Muriel Lake. The oil in this field will also require underground heating before it can be recovered.

The company is also planning to use a small heavy oilfield near its Kinsella-Wainwright production area for research into techniques which would result in improved recovery of heavy oil.



G. E. Patey
Manager - Production

Reserves

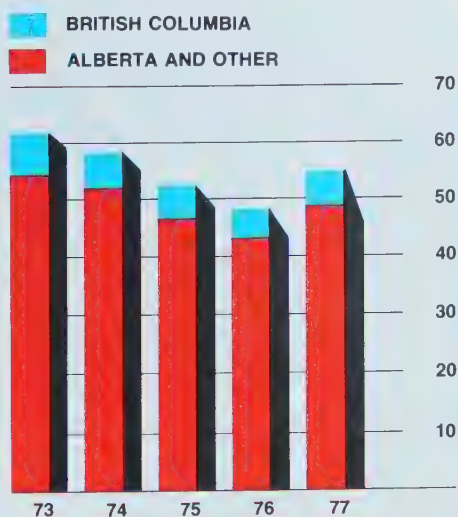
At October 31, 1977, proved reserves were 183 million barrels of crude oil and natural gas liquids and 3.2 trillion cubic feet of natural gas. When continuous production is established for recent discoveries, additional reserves will be included in the estimates.

Pacific determines its estimates of reserves as net to the company after every other deduction excepting Crown and freehold royalties. The estimates include only those reserves recoverable under existing economic and operating conditions and do not include reserves contained in untested zones. The published estimates do not include reserves available through enhanced recovery schemes until the system is operating and performance is proved. Reserves delineated on the company's properties in the Athabasca oil sands region and reserves identified in other oil sands areas of northeastern Alberta are not included. No reserves estimates are carried for natural gas liquids recoverable from the natural gas stream processed at the company's Empress plant.

CRUDE OIL AND LIQUIDS PRODUCED

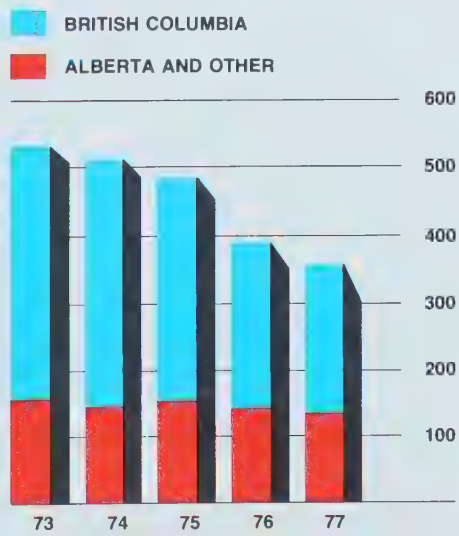
(INCLUDES EMPRESS)

THOUSANDS OF BARRELS PER DAY



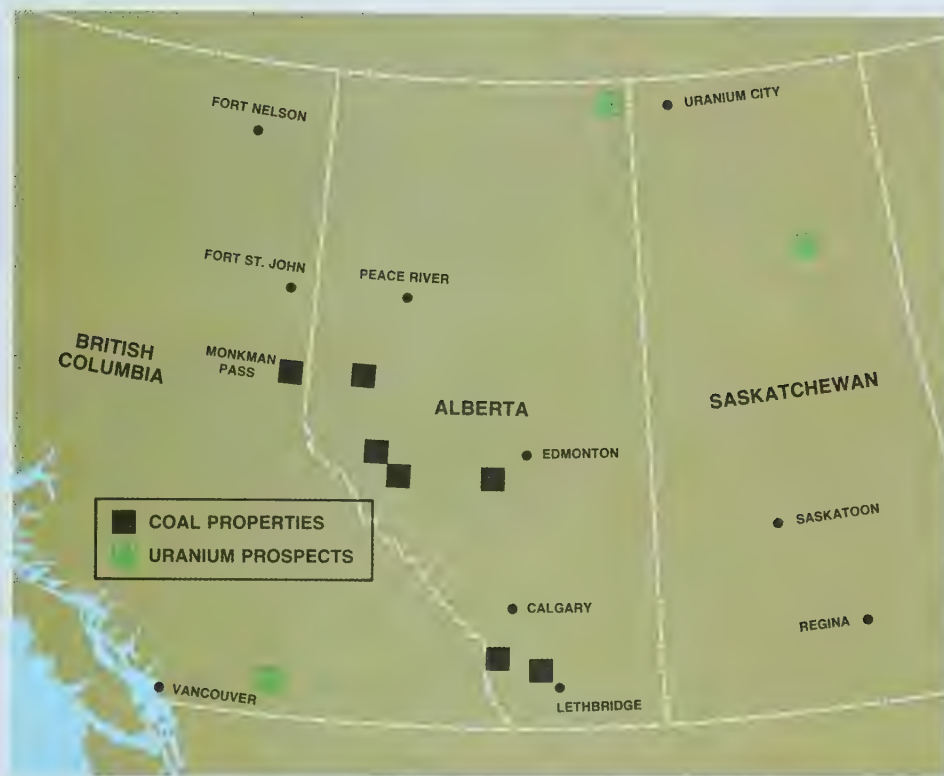
NATURAL GAS PRODUCED

MILLIONS OF CUBIC FEET PER DAY





A Pacific geological team at work in the Monkman Pass area of northeastern British Columbia. In the background is Wapiti Lake.



G. Lokhorst
Manager - Mining

During 1977 Pacific continued its program of exploration and evaluation of the coal and uranium properties which had been acquired as part of the company's objective to widen its resource base as an energy company.

These properties total 329,000 net acres, and include coal in Alberta and British Columbia, and uranium in northern Saskatchewan, northern Alberta and southern British Columbia.

Coal

The coal prospects include both high grade thermal coal in Alberta and metallurgical coal in Alberta and British Columbia.

Exploration in advanced stages is proceeding on two properties. These are at Monkman Pass in

northeastern British Columbia and at Lethbridge in southern Alberta.

Coal — Monkman Pass

At Monkman Pass the company is acquiring a 50 per cent interest in reserves and operating rights in 66,000 acres by exploration on the property. Drilling to date has confirmed reserves of 30 million tons of marketable coal capable of being mined by open-pit methods. Indicated reserves are more than one billion tons.

Pacific has filed with the British Columbia government a preliminary outline of plans to develop a mine at Monkman Pass. Development of the mine is dependent upon an improvement in world markets for metallurgical coal. In 1978 the

company will spend \$2 million further delineating reserves at Monkman Pass. This expenditure, together with work undertaken in previous years, will earn Pacific its interest in the property.

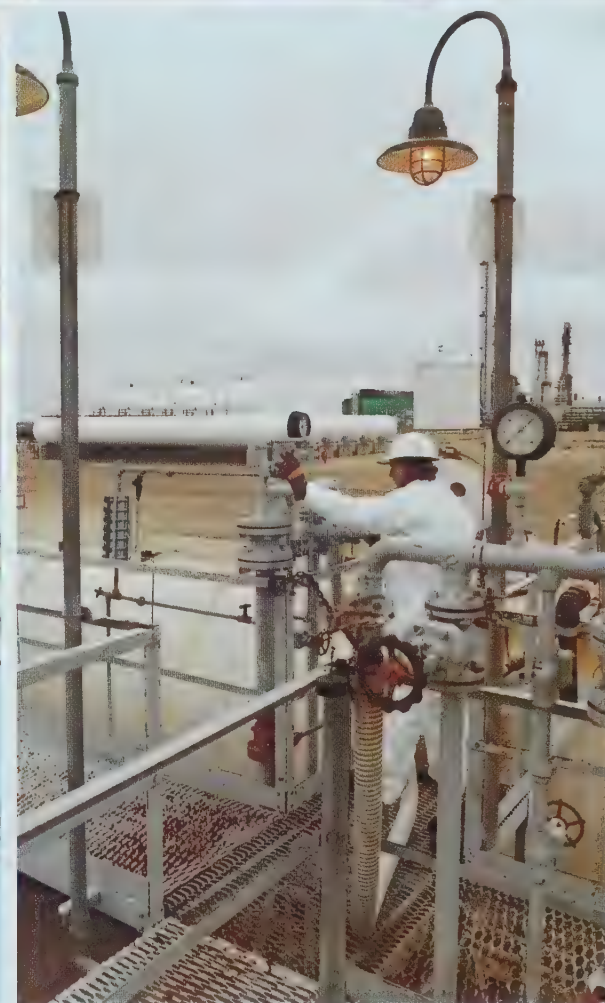
Coal — Lethbridge

At Lethbridge, the company has an 80 per cent interest in 33,000 acres that contain an estimated 60 million tons of thermal coal. The coal from Lethbridge has potential for use in steam generation required for the recovery of heavy oils.

Uranium

In 1977 the company acquired 46,000 acres of potential uranium mineral claims in the Okanagan area of British Columbia. Exploration work on the claims began in the summer of 1977, and a follow-up diamond drilling program is planned for 1978.

Pacific is also exploring uranium claims in northern Alberta and Saskatchewan. Diamond drilling is planned this summer. In addition to uranium, the company is also exploring for other minerals.



Left: Model of the ethane extraction facility being built at the company's natural gas liquids plant at Empress, Alberta.

Top: Retail motor fuel sales increased 11 per cent in 1977.

Bottom Right: Revenue from the sale of natural gas liquids increased 16 per cent to \$74 million in 1977.

manufacturing and marketing

Throughout 1977 work proceeded on two projects that will make a significant contribution to Pacific's earnings.

These projects form part of the petrochemical industry now being established in Alberta at a total industry cost of more than \$1.5 billion.

Ethane Extraction

An ethane extraction facility is being built at the company's natural gas liquids plant at Empress, Alberta, and is due for completion in the first half of 1979. The plant is being built at a cost of \$80 million of which Pacific's share will be \$72 million.

Ethane production will be sold to an ethylene manufacturer under terms of a 20-year contract. Pacific will recover all operating costs and obtain a guaranteed return on capital employed.

The ethane production of up to 27,000 barrels per day will be in addition to existing production of 16,450 barrels per day of natural gas liquids at Empress.

Cochin Pipeline

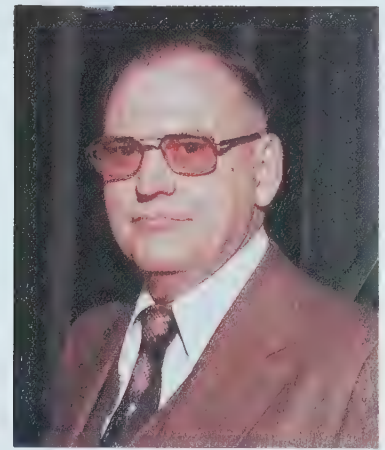
The Cochin pipeline, a major natural gas liquids transmission pipeline with a capacity of 85,000 barrels per day, is being completed this year at a total cost of \$320 million, of which Pacific's share will be \$32 million.

Production of ethane and ethylene in Alberta will be in excess of the amounts needed to supply the remainder of the province's petrochemical industry. The volumes not consumed in Alberta will be shipped to markets in the United States and eastern Canada through the 1870-mile Cochin pipeline. The pipeline will also carry propane and butane to United States mid-west and eastern markets. The mid-west is the prime export market for Alberta propane. The pipeline will have five propane distribution terminals at key mid-west points and as a result the company expects a significant improvement in distribution to this market.

Heavy Oil Plant

Pacific leads a group of companies examining the feasibility of a plant that would partially refine eastern Alberta heavy oils of the Kinsella-Wainwright variety to a product suitable for transportation to, and use by, existing Canadian refineries. A feasibility study completed in 1977 showed that a plant capable of handling 100,000 barrels of oil per day would cost \$540 million.

Minor changes in existing tax and royalty legislation are required to make the plant economically viable. The plant will take three to four years to complete and will be located in eastern Alberta.



*S. D. Lathrop
Vice President - Manufacturing*



*E. A. Paynter
Manager - Sales*



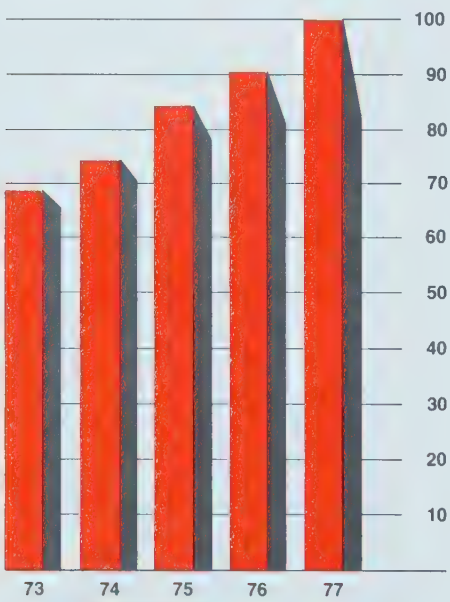
*D. M. Wylie
Manager -
LPG and Petroleum Supply*

PACIFIC'S NATURAL GAS LIQUIDS DISTRIBUTION



RETAIL MOTOR FUEL SALES

MILLIONS OF GALLONS



Refined Products

Retail sales of gasolines, distillates and other refined products through Pacific outlets increased by 11 per cent in 1977, more than double the 4.7 per cent growth rate experienced by the industry throughout western Canada.

During the year Pacific continued to improve retail efficiency. Particular attention was paid to establishing the best mix of full-service, self-serve and unbranded outlets.

The sales volume of unleaded gasoline increased rapidly in 1977, and Pacific has maintained a steady program of increasing the number of its outlets which sell unleaded gasoline. By the end of the year unleaded gasoline was available at 80 per cent of Pacific's outlets compared with

an industry average in western Canada of 50 per cent.

Total refined product sales declined 7 per cent to 271 million gallons, due mainly to the loss of a major distributor account.

Natural Gas Liquids

Revenue from natural gas liquids sales rose by 16 per cent to \$74 million, reflecting the higher market value of natural gas liquids.

Though the volume of gas processed at the Empress plant was essentially the same as in 1976, production of natural gas liquids was reduced due to there being a lower quantity of liquids in the natural gas stream entering the plant.

Sales of sulphur increased by 34 per cent during the year and prices improved.

financial review

(including management analysis of the summary of operations)

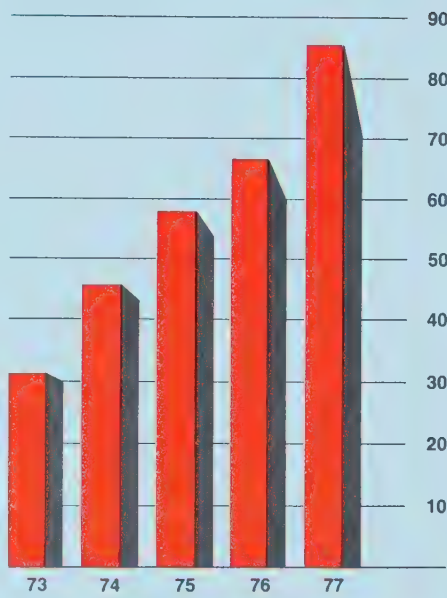
The company's earnings have continued to grow as shown in the Five Year Financial and Operating Summary on page 26. In 1977, net earnings increased 29 per cent and cash generated from operations increased 35 per cent. Higher prices for natural gas and crude oil together with increased crude oil production were the major factors contributing to record earnings of \$85.5 million in 1977.

Revenues

Canadian crude oil prices rose by 70 cents per barrel on January 1, 1977 and by \$1.00 per barrel on July 1, 1977. After deducting all royalties, the company received an average of \$6.79 per barrel in 1977 for crude oil and field liquids compared to \$5.41 in 1976 and \$4.49 in 1975. Crude oil production increased 23 per cent during 1977 primarily due to completion during 1976 of a major development program in the Kinsella-Wainwright area of east central Alberta.

Natural gas production declined 9 per cent in 1977 largely due to reduced export demand and by 17 per cent in 1976, primarily due to a contractual adjustment of the company's interest in certain British Columbia properties. Significant price improvements in the past two years, however, have resulted in higher total natural gas revenues each year. The average price received by the company for natural gas, net of any applicable royalties, was 74.2 cents per thousand cubic feet in 1977 compared to 47.1 cents in 1976 and 29.1 cents in 1975.

NET EARNINGS
MILLIONS OF DOLLARS

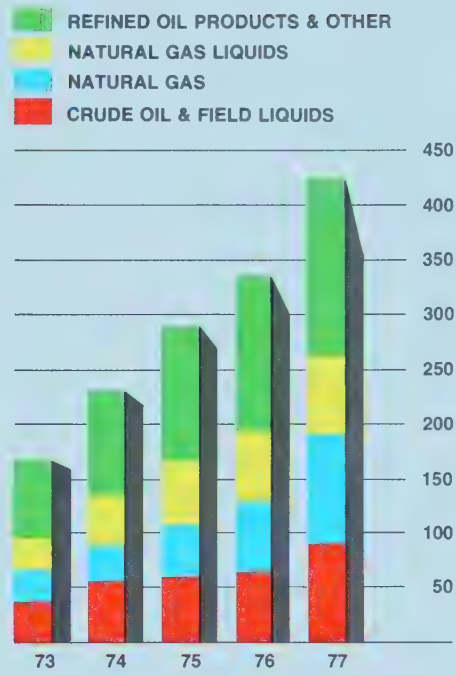


Until January 1, 1977, the British Columbia government indemnified the company for increased federal income taxes related to the disallowance of deemed royalties on gas produced in British Columbia, which amounted to approximately \$9,300,000 in 1976. Such indemnification was reported as a reduction of income taxes. A portion of the January 1, 1977, price increase for British Columbia gas is compensation for the cessation of such indemnification.

Average prices for natural gas liquids rose to 25.1 cents per gallon in 1977 from 21.2 cents in 1976 and 19.6 cents in 1975 on volumes which have remained relatively stable in these years.

Refined oil products prices increased in both 1977 and 1976

TOTAL SALES
MILLIONS OF DOLLARS



by amounts sufficient to offset crude oil price increases and to recover the majority of increased operating costs. Reduced sales to a major private brand account in 1977 was partially offset by increased sales volumes in all other aspects of marketing operations.

Fluctuations in surplus funds invested in term deposits were the main cause of an increase in investment income of \$3.0 million in 1977 and a decrease of \$1.9 million in 1976.

Higher earnings by Westcoast Transmission Company Limited and acquisition of additional shares of Westcoast during 1976 resulted in increases during 1977 and 1976 in Equity in earnings of investments.

Expenses

Higher prices for crude oil and natural gas were the main reasons for the increase in product and merchandise purchases of 13 per cent in 1977 and 25 per cent in 1976. Unit costs of refined oil products purchased and feedstock used in the Taylor refinery rose by 21 per cent in 1977 and 13 per cent in 1976 and the unit cost of the natural gas liquids extracted at the company's Empress plant increased by 23 per cent in 1977 and 61 per cent in 1976.

Operating and general expenses increased by 20 per cent in 1977 and 19 per cent in 1976 due to increased wage, material and fuel costs and additional operating costs related to increases in crude oil production in the Kinsella-Wainwright area.

Charges for depletion and depreciation increased by 27 per cent in 1977 due to increased crude oil production and higher per unit depletion rates reflecting the increasing cost of finding and developing new reserves. Included in depletion is amortization of foreign exploration expenditures amounting to \$4.1 million in 1977 and \$2.3 million in 1976. In 1976 a decrease of 9 per cent was mainly due to the effect of accelerated write-offs taken in 1975 on certain British Columbia properties.

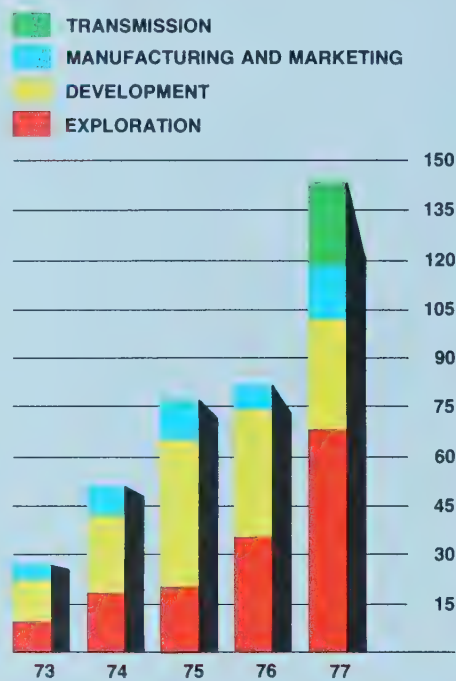
New financing in 1977 and 1976 resulted in increases in interest expense of \$4.1 million in 1977 and \$1.3 million in 1976.

Financing

During the year, Pacific borrowed \$30,000,000 U.S. funds from an institutional investor through the

CAPITAL EXPENDITURES

MILLIONS OF DOLLARS



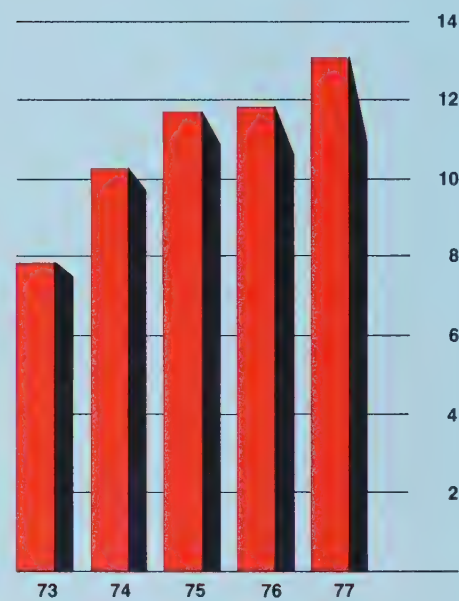
sale of unsecured 8.45 per cent notes due April 1, 1987, with annual principal repayments beginning in 1982. The proceeds of the issue are being used primarily for the company's capital program outside of Canada.

The company has established Canadian bank lines of credit in the total amount of \$78 million, increasing by a further \$50 million in 1980. Funds may be drawn down as required, and are repayable in installments until December 31, 1989, or such earlier date as the company may elect, with interest charged at rates related to prime bank rates in effect from time to time. These current lines of credit extend to December 31, 1982. At December 31, 1977, the company had not drawn down any funds under these arrangements.

RETURN ON AVERAGE CAPITAL EMPLOYED

AFTER PROVISION FOR INCOME TAXES

PERCENTAGE



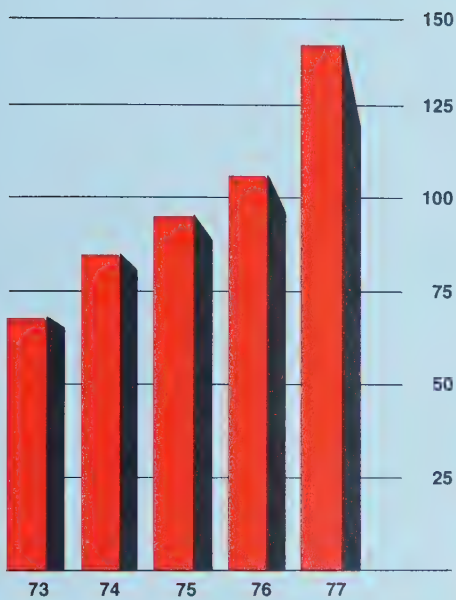
Accounting Developments

Replacement Cost Disclosures

Accounting authorities are continuing to consider methods of accounting to reflect the impact of price changes and inflation. Until an accounting policy is developed the United States Securities and Exchange Commission (SEC) requires disclosure of replacement cost of inventories and certain property, plant and equipment. The regulations exclude crude oil and natural gas properties and facilities under construction, which account for 87 per cent of the gross book value of Pacific's property, plant and equipment. Replacement cost information as required will be reported in the company's annual Form 10K filing with the SEC.

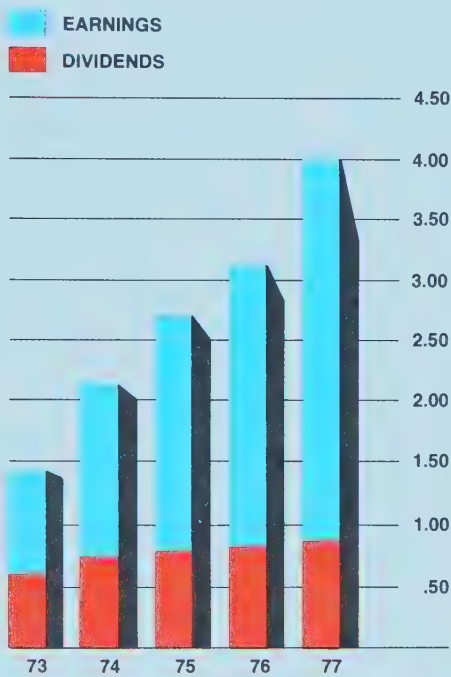
CASH GENERATED FROM OPERATIONS

MILLIONS OF DOLLARS



EARNINGS AND DIVIDENDS

DOLLARS PER SHARE



However, the SEC has delayed its adoption of this standard pending a study of its effect upon competition. The SEC will hold hearings in early 1978 to determine whether all or any part of the FASB proposal should be included in the SEC rules. The FASB standard rejects the "full cost" approach to accounting for exploration and development of oil and gas reserves and adopts a "successful efforts" method of accounting. Under the proposed method, unsuccessful exploratory drilling costs, geological and geophysical costs and carrying costs of undeveloped properties are charged to expense.

The company currently follows the full cost method of accounting as set forth on page 21, which is an acceptable basis in Canada. However, if the SEC adopts the FASB standard, the company would be required to use the successful efforts method in reporting to the SEC.

Oil and Gas Accounting

In the United States the Financial Accounting Standards Board

(FASB) has issued an accounting standard for accounting for costs incurred in searching for and developing oil and gas reserves.

PRICE RANGE OF SHARES

The following are the price ranges of the common shares of Pacific Petroleum Ltd. on the Toronto and New York Stock Exchanges during 1976 and 1977.

	YEAR	1st Quarter High	1st Quarter Low	2nd Quarter High	2nd Quarter Low	3rd Quarter High	3rd Quarter Low	4th Quarter High	4th Quarter Low
TORONTO STOCK									
EXCHANGE	1976	32 ¹ / ₄	26 ¹ / ₈	32 ¹ / ₂	29 ¹ / ₂	31	25 ⁵ / ₈	28 ³ / ₄	24 ³ / ₄
(expressed in									
Canadian Dollars)	1977	29 ³ / ₄	26 ¹ / ₂	31 ³ / ₄	27 ¹ / ₄	33 ³ / ₄	30 ¹ / ₄	43 ³ / ₄	33
NEW YORK STOCK									
EXCHANGE	1976	32 ³ / ₈	25 ⁷ / ₈	33 ¹ / ₄	29 ⁷ / ₈	31 ³ / ₄	26 ¹ / ₈	28 ³ / ₄	24 ¹ / ₂
(expressed in									
U.S. Dollars)	1977	29 ¹ / ₈	25 ⁷ / ₈	29 ⁷ / ₈	25 ⁷ / ₈	31 ⁵ / ₈	28 ⁵ / ₈	40 ¹ / ₈	29 ³ / ₄

consolidated statement of earnings

Years Ended December 31, 1977 and 1976

	1977	1976
Revenue		
Sales of crude oil, gas and refined products	\$421,139,000	\$335,950,000
Investment income	6,538,000	3,499,000
Equity in earnings of investments (Note 2)	13,629,000	12,964,000
	<u>441,306,000</u>	<u>352,413,000</u>
Expenses		
Product and merchandise purchases	152,540,000	135,244,000
Producing, refining and selling expenses	67,753,000	56,325,000
General and administrative expenses	9,151,000	7,526,000
Depletion	22,872,000	18,098,000
Depreciation	12,694,000	9,962,000
Interest on debt (Notes 3 and 4)	12,991,000	8,917,000
	<u>278,001,000</u>	<u>236,072,000</u>
Earnings Before Income Taxes	<u>163,305,000</u>	<u>116,341,000</u>
Income Taxes		
Provision for income taxes payable	48,655,000	31,967,000
Provision for future income taxes	29,139,000	17,943,000
	<u>77,794,000</u>	<u>49,910,000</u>
Net Earnings (Notes 2, 3 and 8)	<u>\$ 85,511,000</u>	<u>\$ 66,431,000</u>
Net Earnings Per Share		
Basic	\$ 4.00	\$ 3.11
Fully Diluted (Note 10)	\$ 3.78	\$ 2.96

consolidated statement of retained earnings

Years Ended December 31, 1977 and 1976

Retained earnings at beginning of year	\$172,472,000	\$123,799,000
Net earnings for the year	85,511,000	66,431,000
	<u>257,983,000</u>	<u>190,230,000</u>
Dividends paid		
(per share, 1977 — \$.89; 1976 — \$.832)	19,028,000	17,758,000
Retained earnings at end of year	<u>\$238,955,000</u>	<u>\$172,472,000</u>

See accompanying notes

consolidated statement of financial position

December 31, 1977 and 1976

	1977	1976
Assets		
Current		
Cash and term deposits	\$ 74,440,000	\$ 39,834,000
Accounts receivable	78,686,000	60,744,000
Inventories	21,581,000	21,836,000
Recoverable income taxes	—	16,518,000
	<u>174,707,000</u>	<u>138,932,000</u>
Investments (Note 2)		
Westcoast Transmission Company Limited — 3,705,615 shares (quoted market value: 1977 — \$126,917,000; 1976 — \$101,904,000)	100,892,000	94,751,000
Other investments	12,493,000	11,932,000
	<u>113,385,000</u>	<u>106,683,000</u>
Property, Plant and Equipment (Note 3)	610,435,000	503,006,000
	<u><u>\$898,527,000</u></u>	<u><u>\$748,621,000</u></u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 73,686,000	\$ 45,180,000
Income taxes payable	5,889,000	—
Debt due within one year	9,269,000	12,923,000
	<u>88,844,000</u>	<u>58,103,000</u>
Long Term Debt (Note 4)	193,625,000	170,899,000
Provision for Future Income Taxes	145,684,000	116,545,000
Shareholders' Equity		
Share capital (Note 5)		
Authorized — 30,000,000 shares — without nominal or par value.		
Issued — 21,386,439 shares (1976 — 21,343,461)	231,419,000	230,602,000
Retained earnings	238,955,000	172,472,000
	<u>470,374,000</u>	<u>403,074,000</u>
	<u><u>\$898,527,000</u></u>	<u><u>\$748,621,000</u></u>

On behalf of the Board:

Director



Director



See accompanying notes

consolidated statement of changes in financial position

Years Ended December 31, 1977 and 1976

	1977	1976
Source of Funds		
Operations		
Net earnings for the year	\$ 85,511,000	\$ 66,431,000
Add (deduct) items not involving cash:		
Depletion and depreciation	35,695,000	28,203,000
Provision for future income taxes	29,139,000	17,943,000
Equity in earnings of investments net of dividends received	(6,373,000)	(6,160,000)
Cash generated from operations (per share, 1977 — \$6.74; 1976 — \$4.99)	143,972,000	106,417,000
Proceeds of borrowing	32,196,000	59,698,000
Issuance of shares	817,000	89,000
	<u>\$176,985,000</u>	<u>\$166,204,000</u>
Use of Funds		
Additions to property, plant and equipment	\$143,124,000	\$ 80,045,000
Reductions of long term debt	9,470,000	13,318,000
Payment of dividends	19,028,000	17,758,000
Acquisition of investments	329,000	20,382,000
	<u>171,951,000</u>	<u>131,503,000</u>
Increase in Working Capital	\$ 5,034,000	\$ 34,701,000
Changes in Components of Working Capital		
Increase (decrease) in current assets		
Cash and term deposits	\$ 34,606,000	\$ 1,280,000
Accounts receivable	17,942,000	7,646,000
Inventories	(255,000)	4,853,000
Recoverable income taxes	(16,518,000)	16,518,000
	<u>35,775,000</u>	<u>30,297,000</u>
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	24,852,000	2,402,000
Income taxes payable	5,889,000	(6,806,000)
	<u>30,741,000</u>	<u>(4,404,000)</u>
Increase in Working Capital	\$ 5,034,000	\$ 34,701,000
Working Capital at End of Year	\$ 85,863,000	\$ 80,829,000

See accompanying notes

summary of significant accounting policies

The consolidated financial statements of Pacific Petroleum Ltd. have been prepared in accordance with generally accepted accounting principles in Canada.

Consolidation

Included in the consolidated statements are the accounts of Pacific Petroleum Ltd. and all its subsidiaries. The excess of the consideration paid for the shares of subsidiaries over their net book value at dates of acquisition has been attributed to property, plant and equipment and is amortized over the estimated useful life of the related assets.

Inventories

Inventories of crude oil, refined products and merchandise are valued at the lower of average cost and net realizable value. Materials and supplies are valued at the lower of average cost and current replacement cost.

Investments

The equity method of accounting is followed for the company's investments in Westcoast Transmission Company Limited and Pacific Northern Gas Ltd. Investments in other companies are carried at the lower of aggregate cost and market value with provision for losses recorded when there has been a permanent reduction in value and with income recorded when dividends are received.

Property, Plant and Equipment

The company follows the full cost method of accounting whereby all costs related to exploration for and development of oil and gas reserves in North America are capitalized and depleted by a composite unit-of-production method based on total estimated proved reserves. Exploration and development costs incurred outside of North America are capitalized and, pending establishment of economic production, are amortized at 20 per cent annually.

Plant and equipment, including significant improvements, are capitalized, and repair and maintenance costs are charged against earnings as incurred.

The interest cost of debt borrowed for the construction of major new facilities is capitalized during the construction period.

Depreciation is provided on the unit-of-production and straight line methods at rates sufficient to amortize the major plant and equipment over periods ranging from 20 to 35 years.

Translation of Foreign Currency

Current assets and current liabilities are translated at the rate of exchange in effect at the close of the period. The resulting gains and losses are included in earnings. Long term assets and liabilities are translated at rates in effect at the date the assets were acquired or the obligations incurred. Revenue and expense items are translated at the weighted average of rates in effect during the year with the exception of depletion and depreciation which reflect rates in effect when the assets were acquired.

Income Taxes

The company accounts for income taxes by the tax allocation method, whereby income tax expense is determined as the amount that would be payable if statutory tax deductions for drilling, exploration and lease acquisition costs and for capital cost allowances did not exceed the related depletion and depreciation provisions charged against earnings. The excess of income tax expense over income tax payable is reported as Provision for future income taxes.

notes to consolidated financial statements

1. Subsidiaries

The subsidiaries of the company, all of which are consolidated, are:

Aquilla Holdings Ltd.	Pacific Petroleums (Overseas) Limited
Asher American, Inc.	Pacific Petroleums (Quebec) Ltd.
Bailey Selburn Oil & Gas Ltd.	Pacific Petroleums (U.K.) Limited
Big Eagle Oil & Gas Ltd.	Pacific Pipelines, Inc.
GMI Co. (Bahamas) Limited	Petroleum Transmission Company
Midland Industries Limited	Tri-Mountain Petroleum Ltd.
Opal Oils Limited	Value Serve Stations Ltd.
Pacific Energy Resources Ltd.	Venezuelan Canadian Oils, C.A.
Pacific Petroleums Española, S.A.	Venezuelan Pacific Petroleums, C.A.
Pacific Petroleums, Inc.	Western Natural Gas Company Ltd.

2. Investments

At December 31, 1977, the company owned 3,705,615 shares or 33 per cent of the total outstanding shares of Westcoast Transmission Company Limited. Westcoast has 2,340,214 shares reserved for issuance to holders of convertible securities and share purchase warrants at various prices between \$25.00 and \$29.89 (U.S.). If all of the reserved shares had been issued, the company's interest in Westcoast would have been reduced to 27.3 per cent. Dividends amounting to \$7,256,000 were received from Westcoast during 1977 and \$6,804,000 in 1976.

The cost of investments in Westcoast Transmission Company Limited and Pacific Northern Gas Ltd. which are accounted for by the equity method is not materially different from the underlying net assets recorded in the accounts of these corporations at dates of acquisition. Such corporations follow the taxes payable method of accounting for income taxes in accordance with generally accepted accounting principles for certain utilities. If the tax allocation method was used by these corporations, equity in earnings of investments and net earnings of the company would be reduced by \$6,410,000 (\$30 per share) in 1977 and \$6,480,000 (\$30 per share) in 1976.

3. Property, Plant and Equipment

	1977	1976
Investment at cost at December 31		
Crude oil and natural gas	\$759,894,000	\$661,336,000
Manufacturing	74,010,000	72,940,000
Transmission	10,564,000	10,538,000
Marketing	39,211,000	39,469,000
Plant and pipeline construction		
in progress	38,753,000	—
Other	15,403,000	12,871,000
	<u>937,835,000</u>	<u>797,154,000</u>
Depletion	227,829,000	205,364,000
Depreciation	99,571,000	88,784,000
	<u>327,400,000</u>	<u>294,148,000</u>
Property, Plant and Equipment	<u>\$610,435,000</u>	<u>\$503,006,000</u>

During 1977, \$415,000 interest was capitalized during the construction of major facilities. The unamortized balance of capitalized interest was \$1,043,000 at December 31, 1977 and \$672,000 at December 31, 1976. During 1977, \$44,000 (1976 — \$46,000) was amortized and included in depreciation.

4. Long Term Debt

Long term debt due after one year consists of the following:

	Maturity Date	1977		1976
5½% Secured Notes	1978	—		\$ 3,231,000
6½% Secured Notes	1982	\$ 2,778,000	\$ (2,577,000 U.S.)	3,641,000
6¼% - 6¾% Mortgages . . .	1985	2,168,000		2,627,000
5¼% Unsecured Notes	1985	32,253,000	(29,900,000 U.S.)	36,460,000
8.45% Unsecured Notes . . .	1987	32,196,000	(30,000,000 U.S.)	—
5¾% - 6¼% Mortgages . . .	1988	5,460,000	(5,054,000 U.S.)	6,167,000
5% Convertible Subordinated Debentures	1992	59,072,000		59,075,000
9% Unsecured Notes	1996	59,698,000	(60,000,000 U.S.)	59,698,000
		<u>\$193,625,000</u>		<u>\$170,899,000</u>

The 5% Convertible Subordinated Debentures are convertible into shares of the company at the rate of 26 shares per \$1,000 principal amount until May 1, 1982 and are subject to sinking fund provisions commencing May 1, 1983. Annual payments are required to be made commencing in 1982 on the 8.45% Unsecured Notes and in 1981 on the 9% Unsecured Notes. All of the other issues are currently subject to annual repayment. Repayment requirements on all issues, translated at the rate of exchange in effect at December 31, 1977 are:

1978 — \$ 9.3 million
1979 — \$ 6.2 million
1980 — \$ 6.2 million
1981 — \$ 9.9 million
1982 — \$15.4 million

Interest on long term debt charged to earnings amounted to \$12,991,000 in 1977, and \$8,181,000 in 1976.

If the long term debt payable in United States funds was translated at exchange rates in effect at the end of the period, long term debt would total \$200,784,000 at December 31, 1977 and \$168,668,000 at December 31, 1976.

5. Share Capital

On June 2, 1977, the company became a federal corporation subject to the Canada Business Corporations Act and as a result the common shares of the company no longer have a par value. Share capital at December 31, 1976, was restated to include \$209,259,000 which was previously classified as contributed surplus.

	<u>1977</u>	<u>1976</u>
Shares issued during the year		
To employees for cash under share purchase plan	—	1,166
To holders of employee stock options for cash upon exercise of options	42,900	3,400
To holders of 5% Convertible Subordinated Debentures upon conversion	<u>78</u>	<u>78</u>
Total	<u>42,978</u>	<u>4,644</u>
Consideration credited to share capital	<u><u>\$ 817,000</u></u>	<u><u>\$ 89,000</u></u>
Share options granted during the year under employee stock option plan	6,000	9,000
Shares reserved at December 31		
Outstanding options under employee stock option plan exercisable from time to time to February 2, 1987 — \$13.25 to \$33.50	149,200	192,700
For conversion of 5% Convertible Subordinated Debentures	1,535,872	1,535,950
For issuance to trustee for employees' thrift plan	147,361	147,361
For granting of options under employee stock option plan	228,800	228,200

6. Legal Actions

Legal actions which are in process involving the company are incidental to its business and it is anticipated that any amounts which may be required to be paid are not material. Accordingly, no provision has been made in the accounts with respect to these actions.

7. Anti-Inflation Program

The federal government legislation which came into effect on October 14, 1975, to control prices, profit margins, employee compensation and shareholder dividends will continue to apply to the company's operations until the program is phased out by the end of 1978. Petroleum and natural gas prices which are subject to the Petroleum Administration Act are exempt from the application of this program. The company's dividend rates during 1976 and 1977 were the maximum permitted under the guidelines. The dividend rate for the third year of the program ending October 13, 1978, is limited to an increase of 6 per cent of the rate established during the previous year.

8. Unrealized Exchange Gains or Losses

United States accounting practice requires that long term debt payable in foreign funds be translated at exchange rates in effect at the end of the period and the unrealized exchange gain or loss included in earnings currently. If Pacific, Westcoast Transmission Company Limited, and Pacific Northern Gas Ltd. followed this practice, net earnings would be reduced by \$11,970,000 (\$.56 per share) in 1977 and \$530,000 (\$.02 per share) in 1976.

9. Directors and Senior Officers' Remuneration

The aggregate direct remuneration of the directors and senior officers of the company, amounted to \$691,000 in 1977 and \$628,000 in 1976.

10. Earnings Per Share

Calculations of fully diluted earnings per share assume the conversion of the 5% Convertible Subordinated Debentures and the exercise of share options.

auditors' report

To the Shareholders of
Pacific Petroleum Ltd.

We have examined the consolidated statement of financial position of Pacific Petroleum Ltd. as at December 31, 1977 and 1976 and consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and 1976 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles which have been applied on a consistent basis during the years.

Calgary, Canada.
February 1, 1978

CLARKSON, GORDON & CO.
Chartered Accountants

five year financial and operating summary

(In thousands of dollars except per share figures)

	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
SUMMARY OF OPERATIONS					
Revenue					
Sales Revenue					
Crude oil and field liquids . . .	\$ 93,261	\$ 62,015	\$ 55,924	\$ 53,757	\$ 40,713
Natural gas	97,686	68,302	50,925	36,933	25,271
Natural gas liquids	74,424	64,382	58,704	47,913	29,445
Refined oil products	142,544	127,485	111,707	80,790	60,168
Other	13,224	13,766	10,780	10,557	8,625
Total Sales Revenue	421,139	335,950	288,040	229,950	164,222
Investment income	6,538	3,499	5,364	7,313	4,369
Equity in earnings of investments	13,629	12,964	8,086	7,476	6,201
Total Revenue	441,306	352,413	301,490	244,739	174,792
Expenses					
Product and merchandise purchases	152,540	135,244	108,504	77,321	53,991
Operating and general expenses	76,904	63,851	53,629	45,644	39,745
Depletion and depreciation . . .	35,566	28,060	30,667	31,593	26,048
Interest on debt	12,991	8,917	7,629	7,885	8,451
Total Expenses	278,001	236,072	200,429	162,443	128,235
Earnings Before Income Taxes . . .	163,305	116,341	101,061	82,296	46,557
Income Taxes					
Provision for taxes payable . . .	48,655	31,967	33,074	24,444	744
Provision for future taxes	29,139	17,943	10,720	12,457	15,625
Total Income Taxes	77,794	49,910	43,794	36,901	16,369
Net Earnings	\$ 85,511	\$ 66,431	\$ 57,267	\$ 45,395	\$ 30,188
Cash Generated from Operations .	\$143,972	\$106,417	\$ 95,777	\$ 86,436	\$ 68,322
Weighted Average Shares					
Outstanding (thousands)	21,375	21,342	21,334	21,329	21,307
Per Share —					
Earnings	\$ 4.00	\$ 3.11	\$ 2.68	\$ 2.13	\$ 1.42
— Cash generated	\$ 6.74	\$ 4.99	\$ 4.49	\$ 4.05	\$ 3.20
— Dividends	\$.89	\$.832	\$.80	\$.75	\$.60
FINANCIAL POSITION					
Capital Employed					
Working capital	\$ 85,863	\$ 80,829	\$ 46,128	\$ 58,593	\$ 58,949
Investments (Book Value)	113,385	106,683	79,983	69,712	55,326
Property, plant & equipment (Net)	610,435	503,006	451,322	407,263	389,823
Total Capital Employed	\$809,683	\$690,518	\$577,433	\$535,568	\$504,098
Return on Average Capital Employed	13.1%	11.8%	11.7%	10.2%	7.8%
Long Term Debt	\$193,625	\$170,899	\$124,519	\$133,741	\$144,365
Shareholders' Equity	470,374	403,074	354,312	313,945	284,308
Debt/Equity Ratio	29:71	30:70	26:74	30:70	34:66

	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
CAPITAL EXPENDITURES					
Exploration	\$ 68,825	\$ 36,453	\$ 19,790	\$ 18,689	\$ 10,922
Development	33,479	38,193	45,851	23,338	11,221
Manufacturing	16,039	2,326	5,027	2,890	1,237
Marketing	542	3,073	4,420	4,310	3,258
Transmission	24,239	—	—	—	—
Total	<u>\$143,124</u>	<u>\$ 80,045</u>	<u>\$ 75,088</u>	<u>\$ 49,227</u>	<u>\$ 26,638</u>
DAILY PRODUCTION (Before Deduction for Royalties)					
Oil and Liquids Production from Oil and Gas Wells (Barrels)					
British Columbia	4,250	4,510	4,200	5,200	6,050
Alberta	32,570	26,600	27,950	31,600	33,050
Saskatchewan	640	540	500	750	1,000
Foreign	140	—	1,500	1,850	1,900
Total	<u>37,600</u>	<u>31,650</u>	<u>34,150</u>	<u>39,400</u>	<u>42,000</u>
Liquids Production from Empress Plant (Barrels)	<u>16,450</u>	<u>17,000</u>	<u>17,900</u>	<u>18,650</u>	<u>19,100</u>
Total Oil and Liquids Production	<u>54,050</u>	<u>48,650</u>	<u>52,050</u>	<u>58,050</u>	<u>61,100</u>
Natural Gas (Millions of Cubic Feet)					
British Columbia	225	251	330	369	379
Alberta	134	143	148	147	150
Saskatchewan	2	2	2	2	2
Total	<u>361</u>	<u>396</u>	<u>480</u>	<u>518</u>	<u>531</u>
MARKETING					
Sales Volumes (Millions of Gallons)					
Gasoline & distillates	271	291	290	288	264
Natural gas liquids	311	317	318	315	324
Marketing Outlets	428	444	453	438	440
LAND (Thousands of Net Acres)					
Western Canada	4,105	3,865	3,514	3,407	3,433
Arctic, N.W.T., Yukon and					
Eastern Canada	3,562	5,132	5,791	5,220	5,400
Foreign	129	305	243	192	2
Total	<u>7,796</u>	<u>9,302</u>	<u>9,548</u>	<u>8,819</u>	<u>8,835</u>
DRILLING RECORD — Net Wells					
Oil	24	96	164	31	19
Gas	56	50	33	31	23
Dry	38	38	37	53	44
Total	<u>118</u>	<u>184</u>	<u>234</u>	<u>115</u>	<u>86</u>

NOTE: In some instances figures for earlier years have been changed from those previously published to reflect subsequent changes in reporting practices.

corporate information

DIRECTORS

H. C. BENTALL †

Chairman and Chief Executive Officer,
The Dominion Construction Company
Limited,
Vancouver, British Columbia

Wm. C. DOUCE

President and Chief Operating Officer,
Phillips Petroleum Company,
Bartlesville, Oklahoma

K. H. GIBSON †

Chairman of the Board,
Foothills Pipe Lines (Yukon) Ltd.,
Calgary, Alberta

A. M. McINTOSH *

Executive Vice President,
Pacific Petroleum Ltd.,
Calgary, Alberta

C. F. MURPHY †

Barrister and Solicitor,
Farris and Company,
Vancouver, British Columbia

L. M. RASMUSSEN *

President and Chief Executive Officer,
Pacific Petroleum Ltd.,
Calgary, Alberta

W. A. ROBERTS

Executive Vice President,
Phillips Petroleum Company,
Bartlesville, Oklahoma

W. H. TYE *

Senior Vice President,
Pacific Petroleum Ltd.,
Calgary, Alberta

C. W. WEBSTER

Vice-Chairman of the Board,
Canadian Fuel Marketers Ltd.,
Montreal, Quebec

SENIOR OFFICERS

L. MERRILL RASMUSSEN

President and Chief Executive Officer

A. M. McINTOSH

Executive Vice President

W. H. TYE

Senior Vice President

V. G. SUNDSTROM

Group Vice President —
Manufacturing and Marketing

R. F. BUCHANAN

Vice President — Finance

G. W. LADE

Vice President,
Secretary and General Counsel

DEPARTMENT MANAGERS

F. B. GRANT

Treasurer

D. G. GUNDERSON

Manager — Economic Planning

S. D. LATHROP

Vice President — Manufacturing

G. LOKHORST

Manager — Mining

K. C. PALS

Manager — Employee Relations

G. E. PATEY

Manager — Production

E. A. PAYNTER

Manager — Sales

J. C. SCOTT

Director — Offshore Exploration

S. B. SMITH

Manager — Exploration

J. L. SNITH

Manager — Law Department and
Assistant Secretary

F. W. TERNAN

Manager — Public Affairs

D. M. WYLIE

Manager — LPG and Petroleum Supply

* Member of Executive Committee

† Member of Audit Committee

EXECUTIVE OFFICE

700 - 6th Avenue S.W.
P.O. Box 6666
Calgary, Alberta, Canada T2P 6T6
Telephone (403) 268-6666

EXCHANGE LISTINGS

New York, Toronto, Montreal,
Vancouver, Alberta and
Pacific Stock Exchanges

**TRANSFER AGENTS
AND REGISTRARS****SHARES**

National Trust Company, Limited (Registrar)
Vancouver, Calgary, Winnipeg,
Toronto and Montreal

Montreal Trust Company (Transfer Agent)
Vancouver, Calgary, Winnipeg,
Toronto and Montreal

The Chase Manhattan Bank, N.A.
New York, New York

Bank of America National Trust
and Savings Association
Los Angeles, California

5% CONVERTIBLE DEBENTURES

National Trust Company, Limited
Vancouver, Calgary, Winnipeg,
Toronto and Montreal

**PRINCIPAL SUBSIDIARIES
AND INVESTMENTS**

Bailey Selburn Oil & Gas Ltd.
Midland Industries Limited
Opal Oils Limited
Pacific Northern Gas Ltd.
Pacific Petroleums Española, S.A.
Pacific Petroleums, Inc.
Pacific Petroleums (Quebec) Ltd.
Pacific Petroleums (U.K.) Limited
Pacific Pipelines, Inc.
Petroleum Transmission Company
Westcoast Transmission Company Limited
Western Natural Gas Company Ltd.

AUDITORS

Clarkson, Gordon & Co.
Calgary, Alberta, Canada

FORM 10K

The company will provide,
without charge, a copy of its
Form 10K, filed with the
Securities and Exchange
Commission, Washington, D.C.,
upon written request from its
shareholders. Requests should be
directed to the Secretary of the
Company, P.O. Box 6666,
Calgary, Alberta, Canada, T2P 6T6.

PACIFIC PETROLEUMS LTD.
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